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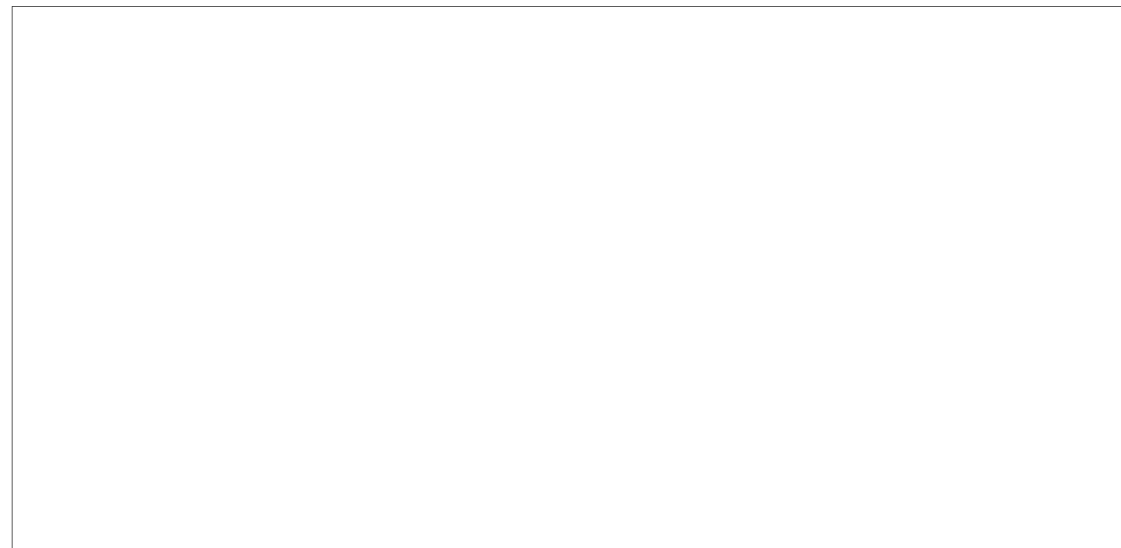
WEEKLY INTELLIGENCE HIGHLIGHTS

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FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 97  
19 APRIL to 25 APRIL 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Further intra-Party bickering among the Japanese Communists may well be delayed until after the coming elections, in order to present a "united front" to the increasingly unfriendly public (p. 2).

Although the Peiping regime is evidently losing popular support as a result of China's economic distress, the Communists' program of social change and growing suspicions regarding Soviet encroachment, the likelihood of an overthrow of the Chinese Communists is remote (p. 2). Meanwhile, the collapse of Nationalist resistance on Hainan is indicative of the continuing weaknesses of that moribund regime (p. 5).

A comparison of the efficiency of Vietnamese troops with and without French cadres is expected to strengthen the Bao Dai regime's pleas for direct US military assistance (p. 5).

NEWSNOTES

New conservative coalition in Japan...Korea out in front...  
...CCP orders personnel cutbacks...Chinese  
railroads running rough...Victory Bond drive lags...Indonesian rubber  
hoarding..."Unitary State" trend continues...Contract labor for  
Pacific.

(NOTE: Section III contains a summary of recent Embassy  
and Attache reports on the Burmese military situa-  
tion.)

The marginal notations used in succeeding sections of this Weekly  
("A", "B", or "C") indicate the importance of the items in D/FE opinion  
with "A" representing the most important.

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## SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

JAPAN

NOZAKA friction continues--The official Japan Communist Party newspaper, AKAHATA, has published an attack by the chairman of the Party's disciplinary body, criticizing the "separatist" activities of "Trotskyist" Party elements who are trying to overthrow both TOKUDA Kyuichi, the Secretary General, and NOZAKA Sanzo, leading Party theoretician. This "Trotskyist" group has apparently rallied around two Central Committeemen, SHIGA Yoshio and MIYAMOTO Kenji. SHIGA, sometimes considered number three in the Party, was a pre-Occupation cellmate to TOKUDA; he has been editor of AKAHATA and a member of the Japan Politburo. Like NAKANISHI Ko, SHIGA is said to have been critical of "bureaucratic tendencies" in the Japan Communist Party and to have complained over the Party's failure to implement the Cominform instructions contained in last autumn's "NOZAKA Criticism."

"B"

This continuation of the NOZAKA squabble is one of three topics to be discussed at the General Session of the JCP Central Committee, presently scheduled for 28 April. Whether the debate results in expulsion of SHIGA and MIYAMOTO, or in their abject apology, publicity about such Party splits cannot fail both to damage Party morale and prestige and to injure JCP chances in the 4 June Diet Upper House elections. Under these circumstances, the Party may well decide to postpone the coming Central Committee meeting, in order to present a "united front" during the election period.

CHINA

Communist popularity declines--The prestige of the Chinese Communists at home has been in an apparent process of decline over the past several months. Except in certain sections of the old "Liberated Areas," public enthusiasm for the Communists in the past was limited for the most part to intellectuals and politically-conscious youth, whose disgust with the Kuomintang rendered them highly susceptible to Communist promises of reform, while the overwhelming majority of the Chinese people viewed the Communist conquerors with passive curiosity, prepared to judge their new rulers on the basis of performance. The prevailing attitude was one of relief that the fighting was over, combined with a conviction that no change could be for the worse. In recent weeks, however, the enthusiasm of the few has begun to wane and the apathy of the many has turned to disappointment, resentment, and, in some, instances, to open hostility.

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The principal causes for dissatisfaction are: (1) economic hardship, (2) the imposition of obnoxious social controls, and (3) the apparent subservience of the Communist regime to the USSR. Thusfar, Communist performance in these spheres of governmental responsibility and public policy appears to be giving most Chinese reason to doubt that the new regime can offer any more than did the old toward a solution of their problems and the fulfillment of their national and personal aspirations.

Although largely the result of factors beyond Chinese Communist control, China's serious economic plight has been the major contributing cause to the new regime's declining prestige. Both the famine and the curtailment of foreign trade (the latter owing in large part to the Nationalist port closure) have combined to bring about the worst economic conditions in years. The Communists' ambitious political tasks have been enormously complicated by economic stagnation and want, and by the fact that the regime has sought to make ends meet through the extortionate seizure of all available surpluses of agricultural produce and money. The political gains inherent in the land reform program have been nullified in many districts by the food shortage, by high taxes, and by the tactical errors of inexperienced Communist cadres. In the rural areas, excessive grain requisitions have excited peasant hostility toward the new authorities. Spontaneous demonstrations against the Communists and the murder of tax collectors and officials have been frequently reported. The extent to which rising peasant discontent is being exploited by secret societies, bandit gangs, and political guerrillas is not clear but there are indications that the activities of such groups may be passing beyond the nuisance stage. In the cities, industrial unemployment, the coercive Victory Bond campaign, and the policy of forcing business enterprise to continue unprofitable operations, have aroused general resentment. While it is true that the regime has made a creditable showing in several areas of economic activity, most notably railroad rehabilitation, the general depression has had the net effect of shaking public confidence in the Chinese Communists.

Although the authoritarian tradition is deeply rooted in Chinese civilization, popular reaction to Communist social controls has thusfar been mixed. In general, the people have tended to accept the apparatus of political dictatorship (secret police, controlled press and the like), but to resent the comprehensive Communist program of indoctrination and organization as an irritating invasion of their leisure and privacy. In the cities, large numbers of people are finding their time and energies inordinately absorbed by the activities of Communist-controlled organizations, membership in which is more or less compulsory. While this appears to be less true in the rural areas, where there is

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more homogeneity in the social structure, in many of the "newly liberated" rural sections, the brutality of Communist cadres has alienated those very elements of the population whose sympathy and support are most necessary to the Communist program.

Thusfar, the Communists have moved rather slowly in interfering with social customs and practices, but the recent promulgation of a comprehensive law governing marriage and divorce suggests that this aspect of the regime's program may be accelerating. Communist policies in the fields of education, religion, propaganda, art, culture and the like, do not seem to have yet evoked any significantly unfavorable response among the small minority whose daily lives are most affected.

In the final analysis, the effect of Chinese Communist political and social controls must be viewed against the traditional Chinese tendency to regard government as a necessary evil. Up to now, having failed to improve the material condition of the people, the new regime has acquired little or no sanction in the popular mind for its demands on the people.

The Communists' prestige has suffered in some degree from popular suspicion that the interests of China are being sacrificed to those of the Soviet Union. The Chinese response to the new Sino-Soviet treaty appears to have been unenthusiastic and [redacted]

[redacted] a widespread suspicion that the treaty contains damaging secret provisions. [redacted]

[redacted] To most of the Chinese people, however, the issue of Sino-Soviet relations is remote and impersonal, and is not a principal criterion on which the Communist regime is being, or will be, judged. It is among the intelligentsia, sensitive on the questions of national sovereignty and independence, that the prestige of the Communists is being damaged by current suspicions. The terms of the Sino-Soviet treaty indicate that both the USSR and the Chinese Communists are aware of popular antagonism to the Sino-Soviet alliance. However, the present Soviet position in China is so strong and obvious that the Chinese Communists are kept constantly on the defensive in attempting to justify the situation.

As to the effect of this increasing public dissatisfaction on the Communists' ability to retain and consolidate their power in China, it is evident that Communist administration and control are being aggravated by growing popular opposition. The Communist cannot -- and know they cannot -- successfully organize China if a state of open hostility is permitted to develop between the masses of the people and the Party and its governmental structure. Deep Communist concern over the situa-

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tion can be inferred both from doctrinal emphasis on the importance of developing sympathetic public attitudes and from statements in the current Communist press. Observers of the Chinese scene, are virtually unanimous, however, in the view that there is no prospect of unseating the Communist regime in the foreseeable future as a result of popular disaffection.

Collapse on Hainan--The Nationalist collapse on Hainan is expected to have the most adverse effects on the morale of the military and civilian remnants of the National Government in Taiwan.

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There are two "explanations" for the Nationalist failure to defend half their remaining territory: (1) CHIANG may have sacrificed Hainan intentionally, with or without the knowledge and consent of CHEN Chi-tang, in order to cut Nationalist defense costs and to dispose of the remnants of the Kwangsi clique, or (2) CHEN Chi-tang and other commanders on the island may have decided to throw in the towel, in view of the Taiwan regime's refusal of added assistance. In any case, the collapse of Nationalist resistance serves to underscore the problems of command disunity, faulty coordination and, most important, lack of "will to fight" which continue to plague the moribund CHIANG regime.

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INDOCHINA

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At present, Bao Dai's "own" armed forces remain, with a few exceptions, entirely under French control. The 24,000 troops of the Vietnamese regular army are cadred by 3,250 French officers and NCOs, and are under the control of the Commander of French Forces in the Far East. Vietnamese troops in the 22 Indochinese battalions of the French regular army are not considered a part of Bao Dai's forces.

Only one high-level conference of Franco-Viet officials to consider the development of a distinct Vietnamese army has been held during 1950. French authorities have retained control of Indochinese pursestrings, and funds for the Vietnamese army are still allocated either directly or indirectly by the French. All of the Vietnamese army's military equipment, furthermore, is loaned by the French.

It cannot be assumed that the vigor with which autonomous Bao Dai forces are reportedly fighting will continue unless a gradual relaxation of French control keeps abreast of Vietnamese willingness and ability to assume responsibility. The contention that progress of Vietnam toward full independence must not be so rapid as to cause the French soldier to feel that he is fighting not for France but for Vietnam is hardly more valid than the contention that progress must not be so slow as to convince the Vietnamese soldier that he is fighting not for Vietnam but for France.

#### NEWSNOTES

A new conservative party has been formed in Japan as a result of the long-discussed merger of the People's Cooperative Party, the New Political Council and the Democratic Party. The new group's name, apparently the most important issue connected with the merger, tentatively is to be the People's Democratic Party. The coalition holds 67 seats in the Diet Lower House and 46 in the Upper House, and thus ranks second to the majority Liberal Party, with 287 seats in the Diet Lower House.

Korean national pride received a potent boost last week, when a three-man team from the young Republic finished 1-2-3 in the fifty-fourth annual running of the classic Patriot's Day marathon at Boston. Three days later, in an atmosphere of triumph, the Korean National Assembly finally managed to pass a balanced budget for FY 1950.

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Communist cutbacks in personnel ordered in Central and Southwest China, may bring a 50% reduction. A Wuhan broadcast has called for the retrenchment of "personnel, horses, and vehicles", to be completed by the end of April, while Chungking has announced that military personnel of the Southwest Military Area will be reduced to half their present strength. While these actions are in accord with the Communist regime's current drive to reduce government expenditures, a large reduction in military personnel and administrative cadres in these still unstable regions is surprising. The program may be inspired by Communist desires to purge undesirable elements that have attached themselves to the Party organization in newly "liberated" areas.

Chinese railroad operations are unsafe and substandard, to judge from reports of 20 collisions and 95 derailments in the period 1 January to 15 February 1950. One head-on collision caused 62 deaths. These accidents are expected to continue to hamper Communist efforts to increase rail traffic, since it will take several years to provide modern switching and signalling systems and to restore the tracks and bridges to adequate standards of safety.

The sale of Chinese bonds is lagging, despite Communist press and radio professions of enthusiastic public response to the People's Victory Bond drive. Although the drive was scheduled to end March 31, the deadline has been extended and the Communists have not yet revealed the total of subscriptions or the proportion of pledges that remain unpaid. Purchaser resistance thusfar indicates that the Communist goal of 200 million Victory Bond units in 1950 will not be reached.

The hoarding of Indonesian rubber is presently being explained in USI circles as a result of local Chinese merchants' expectations that Malayan shipments will be reduced by an accelerated bandit campaign, with a resulting rise in world prices. Actually, it appears more probable that last month's revision of Indonesian exchange rates has not yet been effective in achieving one primary purpose, i.e., the restoration of confidence in USI currency.

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Only three of the original 16 states and areas of the USI, as established in December 1949, still remain: the Republic of Indonesia, East Indonesia and East Sumatra. East Sumatra will probably be annexed to the Republic in the near future, as have the missing 13. The structure of Indonesia will undergo its final reshaping when the establishment of a unitary state is discussed at the coming conference of representatives of the USI and its two remaining component states.

The French in New Caledonia want to recruit at least 4,000 more Javanese contract laborers for mining, agricultural and domestic service. New Caledonia has more than 5,000 Javanese laborers at present. An Indonesian commission, presently in Noumea to investigate working conditions and advise the USI whether to permit the emigration, also intends to visit the New Hebrides, where some 2,000 laborers could be accommodated.

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### SECTION III. BURMA - MILITARY REVIEW

Following a recent tour of Army field units as a guest of the Commander-in-Chief, Bo Ne Win, the US Military Attache in Rangoon submitted a somewhat encouraging report on the Burmese Army's operational effectiveness. He stated: (1) that the condition of the Burmese Army is not "nearly so hopeless" as previous reports have indicated; (2) that recent military successes have done much to raise the morale of the troops; and (3) that the officer material, although inexperienced and small in numbers, appeared to be reasonably competent. The various officers whom he contacted were courteous and frank in conversation and, in general, were quite optimistic about their present operations.

The Burmese Army's most pressing needs, according to its officers, are certain categories of equipment which they feel the UK has been unable or unwilling to provide. Specifically, the Burmese particularly desired to obtain Bailey bridge equipment sufficient to construct 50-60 bridges, vehicles, (especially 1½-ton US trucks, although 2½-ton and 3/4-ton trucks as well as some jeeps and armored cars are also desired), wireless apparatus, and personal gear for troops. The needed equipment would be used to restore and maintain important lines of communication, to replace the present fleet of trucks which is rapidly becoming unserviceable, and to restore bridges destroyed by insurgents. The MA reports that his personal observations tend to confirm these shortages.

During the entire trip, however, Ne Win never committed himself to anything which could be construed as a formal request for US assistance, although there can be little doubt that he does not expect the British to meet fully his requirements and would welcome any aid from the US. It is quite possible that Ne Win's recent cultivation of the MA is another in the series of Burmese approaches to US Embassy personnel (including one by the Prime Minister) for the purpose of sounding out possibilities of obtaining economic and military aid. In addition, there has gradually been emerging a markedly friendlier attitude toward the US, even within the usually rabidly anti-Western Socialist Party, evidenced by the recent Army propaganda broadcast which was most complimentary to the US in differentiating between US and UK roles in Asia. A corollary to this attitude is the intense Burmese desire to sever completely their dependence upon the UK.

On the basis of the MA's report, and a number of conversations with important Burmese Government officials, the Embassy in Rangoon believes the amount of aid Ne Win desires is relatively small and inexpensive. The Embassy also believes that such equipment would not only constitute tangible evidence of US interest in assisting the Burmese to restore

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peace but would also result in substantial economic as well as military benefits, and therefore suggests the early consideration of extending limited aid to the Burma Army, after coordination with the British.

Meanwhile, Prime Minister Thakin Nu has been informally approached regarding the possibility of the US providing the Burma Navy with a number of US Coast Guard vessels. After expressing appreciation of US interest, he stated his belief that the Navy would be pleased to receive the craft. Regarding other military aid, Nu indicated he could make no requests until a complete study of the matter had been made, and in the final analysis the Burmese request would depend largely upon the type and quantity of materiel the UK was prepared to provide. Nu did say, however, that Burma's principle need was materiel to equip 10 frontier battalions, whose task will be to control the Sino-Burma border and prevent infiltration. In this respect, Nu claimed that the insurgents in Burma were being liquidated rapidly and were no longer a grave menace, whereas the China border was wide-open and easily penetrable.

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